

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

HB 395 - SB 381

March 20, 2017

SUMMARY OF BILL: Requires school buses ordered or purchased on or after July 1, 2018, to be equipped with safety restraint systems approved by the National Transportation Safety Board (NTSB). Requires school buses owned, operated, or leased by a public or private elementary school or school system to be equipped with safety restraint systems approved by the NTSB no later than July 1, 2023.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures –

\$11,749,300/BEP/Each Year FY18-19 through FY22-23

Increase Local Revenue –

**\$11,749,300/BEP Funding to Local Education Agencies/Each
Year FY18-19 through FY22-23**

Increase Local Expenditures –

\$70,566,400/Each Year FY17-18 through FY22-23*

Assumptions:

- Based on Federal Motor Vehicle Safety Standards (FMVSS) from the NTSB, buses that weigh below 10,000 pounds are required to have a restraint system. Buses that weigh above 10,000 pounds are not required to have a restraint system.
- Based on FMVSS, independent research, information from the Department of Safety (DOS) and the Comptroller, buses that were not originally designed to contain an occupant restraint system and are retro-fitted with such a system will not be re-certified as being safe according to the manufacturer original body build date safety specifications. Therefore, it is assumed that such buses will not be approved by NTSB, and will not be retro-fitted with seat belts.
- Local school systems will be required to purchase new buses with seat belts.
- According to the Department of Education's (DOE) FY15-16 Annual Statistical Report (ASR), there are a total of 9,112 buses in Tennessee, 6,362 of which are district-owned (Approximately 70 percent).

- The FY15-16 ASR reports that 1,885 buses (approximately 21 percent) currently have a restraint system. This percentage is estimated to remain constant in future fiscal years under current law.
- A break-down of district-owned buses with restraints relative to privately-owned buses with restraints is not provided, but it is assumed that 70 percent of all buses with restraints are district-owned, or 1,320 ($1,885 \times 70$ percent).
- It is assumed that privately-owned bus companies will absorb 10 percent of the cost from adding restraints to the bus fleet.
- Based on information from the Comptroller of the Treasury (COT), the average price of one bus without occupant restraint systems is \$100,000.
- Based on information received from the COT, and a national study done by the State of Alabama, the average increase in the price of a bus with seatbelt installation is approximately \$10,000.
- The average price of one bus with an occupant restraint system is estimated to be \$110,000 ($\$100,000 + \$10,000$).

Assumptions relative to FY18-19 to FY22-23 for annual local education agency bus purchases in the absence of this bill:

- Buses that are purchased ahead of the FY17-18 for the 2017 fall semester will be purchased with seatbelts.
- Based on historical statistical data and information from the DOE, approximately 600 buses are retired each year. It is assumed that each retired bus will be replaced with a new one. Further it is estimated that this number will remain fairly constant in FY17-18 through FY22-23.
- Based on data from the FY15-16 ASR, approximately 474 buses that would have been purchased by local education agencies in the absence of this bill will need an occupant restraint system added.
- The annual increase in expenditures to add seatbelts to buses that would have been purchased without seat belts in the absence of this bill is estimated to be \$4,740,000 ($474 \times \$10,000$). However, it is assumed that of the portion of buses that are privately-owned (estimated to be 30 percent), the firms which operate such privately-owned school buses will absorb 30 percent of all additional expense to equip all buses with seats belts. It is assumed that 70 percent of such increased expenditures incurred by these private entities will be passed on to the respective LEAs as a result of this legislation.
- The recurring increase in local expenditures to add seatbelts to buses that would have been purchased in the absence of the bill without seat belts is estimated to be \$4,313,400 [$(474 \times \$10,000 \times 70.0\%$ publicly-owned) + $(474 \times \$10,000 \times 30.0\%$ privately-owned x 70.0% passed on to LEAs)].

Assumptions relative to local education agency bus purchases as a result of this bill:

- Using data from the FY15-16 ASR, the remaining population of buses that will need to be purchased by LEAs annually, outside of the regular purchase cycle is estimated to be 487.
- According to independent research, information from the DOE, the DOS, and national studies, buses with seat belts lose seating capacity due to a reduction in the number of riders per seat. The average capacity loss is estimated to be 15 percent per bus which is equivalent to approximately 12 seats.
- Additional buses will be purchased to make up for the seating capacity loss.
- Using data from the FY15-16 ASR and information from the DOE, the number of additional buses that will need to be purchased to make up for capacity loss is estimated to be 175 buses annually.
- An estimated 662 (487 + 175) buses will need to be purchased each fiscal year FY17-18 through FY22-23; 463 buses (or 70 percent) will be publicly-owned, and 199 buses (or 30 percent) will be privately-owned.
- The annual estimated increase in costs to purchase new buses is \$72,820,000 (\$110,000 x 662); however, it is assumed that the public private ratio will stay the same, and that private owners will only be able to pass on 70 percent of these costs to LEAs.
- The recurring increase in expenditures to purchase new buses outside of bus retirement is estimated to be \$66,253,000 [(463 public owned buses public x \$110,000) + (199 private-owned buses x \$110,000 x 70.0% passed on to LEAs)].

Assumptions relative to the increase in the Basic Education Program funding formula:

- The BEP transportation formula will recognize one-third of the total increase in local expenditures each year beginning in FY18-19. This component will be split 50/50 between state and local governments and is based on the average of expenditures from several categories for the last three fiscal years.
- The total mandatory increase in local expenditures is estimated to be \$70,566,400 (\$4,313,400 + \$66,253,000) in each FY17-18 through FY22-23.
- One-third of the total increase for BEP purposes is \$23,498,611 (\$70,566,400 x 33.3%).
- The increase in state expenditures for the BEP transportation component each year FY17-18 through FY22-23 is estimated to be \$11,749,306 (\$23,498,611 x 50.0% split). As a result, LEAs will receive an additional \$11,749,306 in each FY17-18 through FY22-23 as a result of this legislation.
- Based on information from the DOE, the increase in the BEP required match will not actually require LEAs to increase local expenditures since all LEAs are funding above and beyond their required local match for this component.

**Article II, Section 24 of the Tennessee Constitution provides that: no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

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